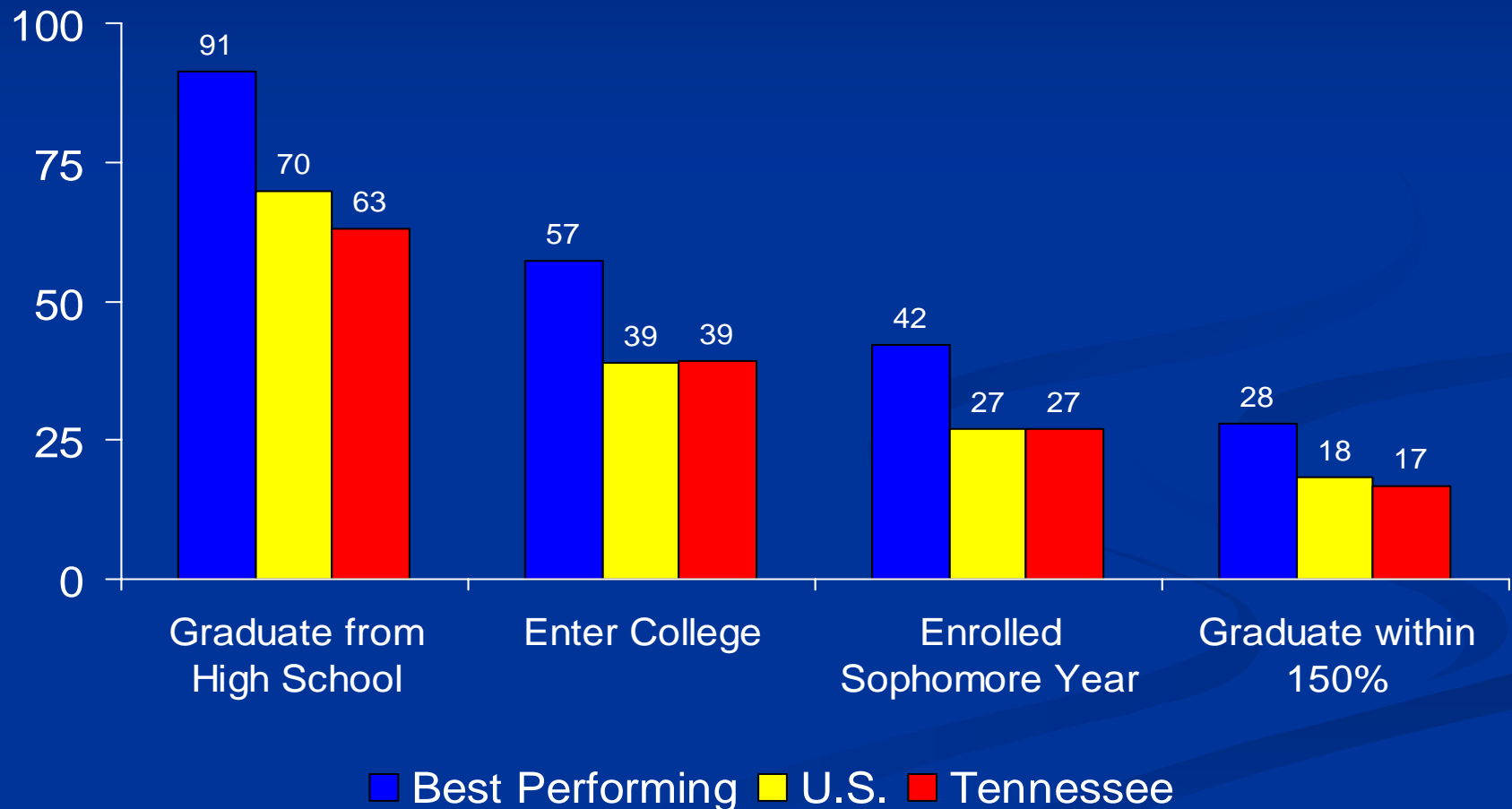


# Addressing Adequacy, Equity and Accountability in the BEP

Senate Finance Ways and Means

May 1, 2007

# The Student Pipeline - Tennessee, 2004



# Objectives of the EIA/BEP

- Fulfill the constitutional mandate that in recognizing the inherent value of education and encouraging its support the General Assembly “shall provide for the maintenance, support and eligibility standards of a system of free public schools.” (Tenn. Const. art. XI, § 12)
- “to provide, when fully funded, the programs and services essential to a basic education...through organizational structure, disciplined management and adequate funding.” (Small Schools II)
- “The BEP is designed to accomplish two significant objectives – provide an excellent education program for all K thru 12 students throughout the state and provide substantially equal educational opportunities for those students.” (Small Schools II)
- The BEP is the “funding formula for the calculation of K – 12 education funding necessary for our schools to succeed.” (TCA 49-3-302(3))

# Overarching Principles:

There is a compelling state interest in successfully educating the state's citizens, through a system that provides:

- Adequacy
- Equity
- Accountability

# The BEP:

## What are the Issues Today?

- Adequacy
  - Are we providing the right resources to achieve the necessary student outcomes?
- Equity/Structure
  - Does the BEP assign funding responsibility in an equitable and efficient way?
- Accountability
  - How can we know that current and new investment is resulting and will result in progress?

# Important Considerations:

- Assessing needs is about figuring out what it takes to run a school system successfully
- How those needs are funded is a public finance issue, not an educational issue
- Addressing needs without addressing structural funding issues may make future fixes more difficult, and more expensive
- Continuing structural deficiencies will further erode support for the BEP

# Important Considerations, cont.

- Lack of broad support and potential added expense make improvements more difficult
- Lack of confidence in accountability measures also deters new investment and further erodes public support

# Adequacy Issues

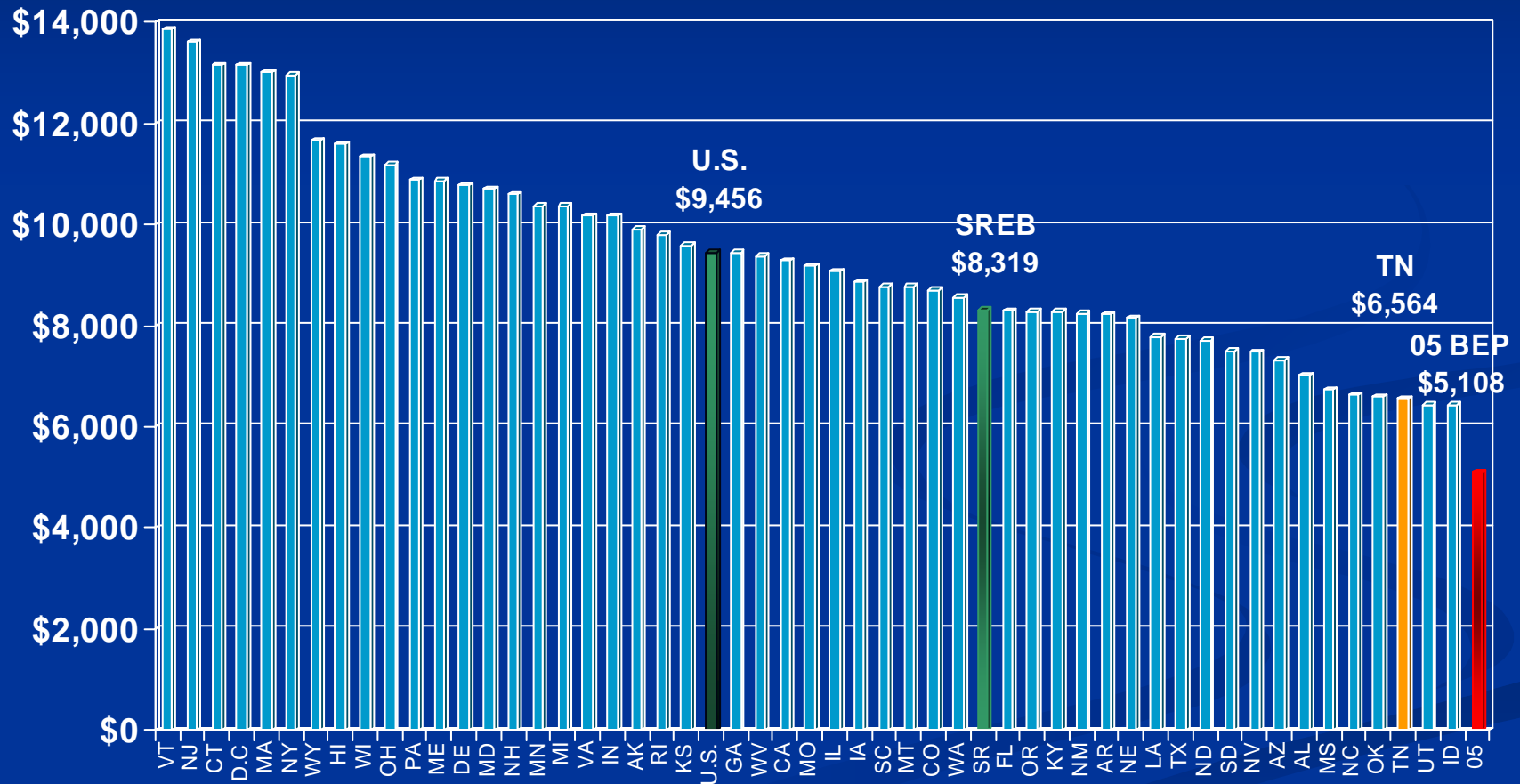
- The BEP formula is input driven rather than outcome focused
- It understates, or doesn't recognize costs, like at-risk kids, English language learners, professional development and classroom materials, etc.
- Resource allocation to upper grades is insufficient
- Doesn't effectively address recruiting and retaining highly effective teachers



# Adequacy Issues: Possible Improvements for Consideration

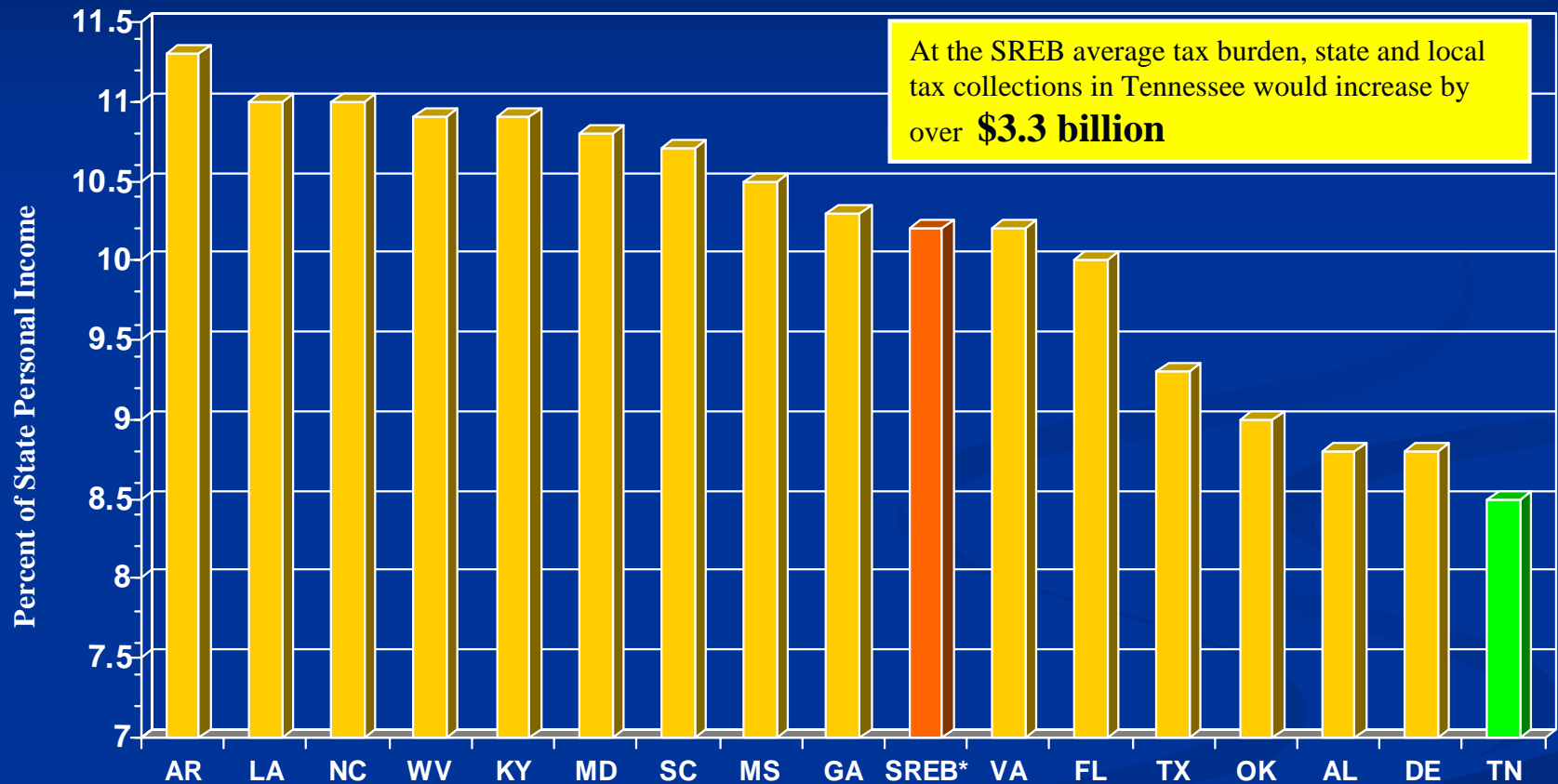
1. BEP Review Committee Recommendations
  1. Recognize 100% of K-12 at-risk eligible.
  2. Reduce ESL Ratios from 1/45 Instructors and 1/450 translators to 1/20 and 1/200.
  3. Enhance professional development
  4. Fully fund growth
2. Fund salaries at competitive levels in exchange for real improvements
  1. As condition for new salary dollars, every system must adopt a pay for performance system that meets minimum parameters set by the SBOE/DOE
  2. A modification of the single salary schedule should accommodate hard to staff schools and hard to find expertise

# State and Local Revenues Per Pupil (ADA) – Fiscal Year 2005



SOURCE: NEA Rankings & Estimates 2005, Summary Table I and D  
FY05 BEP – Jan Revised, ADA data from Table 7B – Annual Statistical Report

# State and Local Tax Burden as Share of Personal Income in the SREB States, 2007



\*Average of SREB states excluding Tennessee. The SREB average including Tennessee is 10.1%

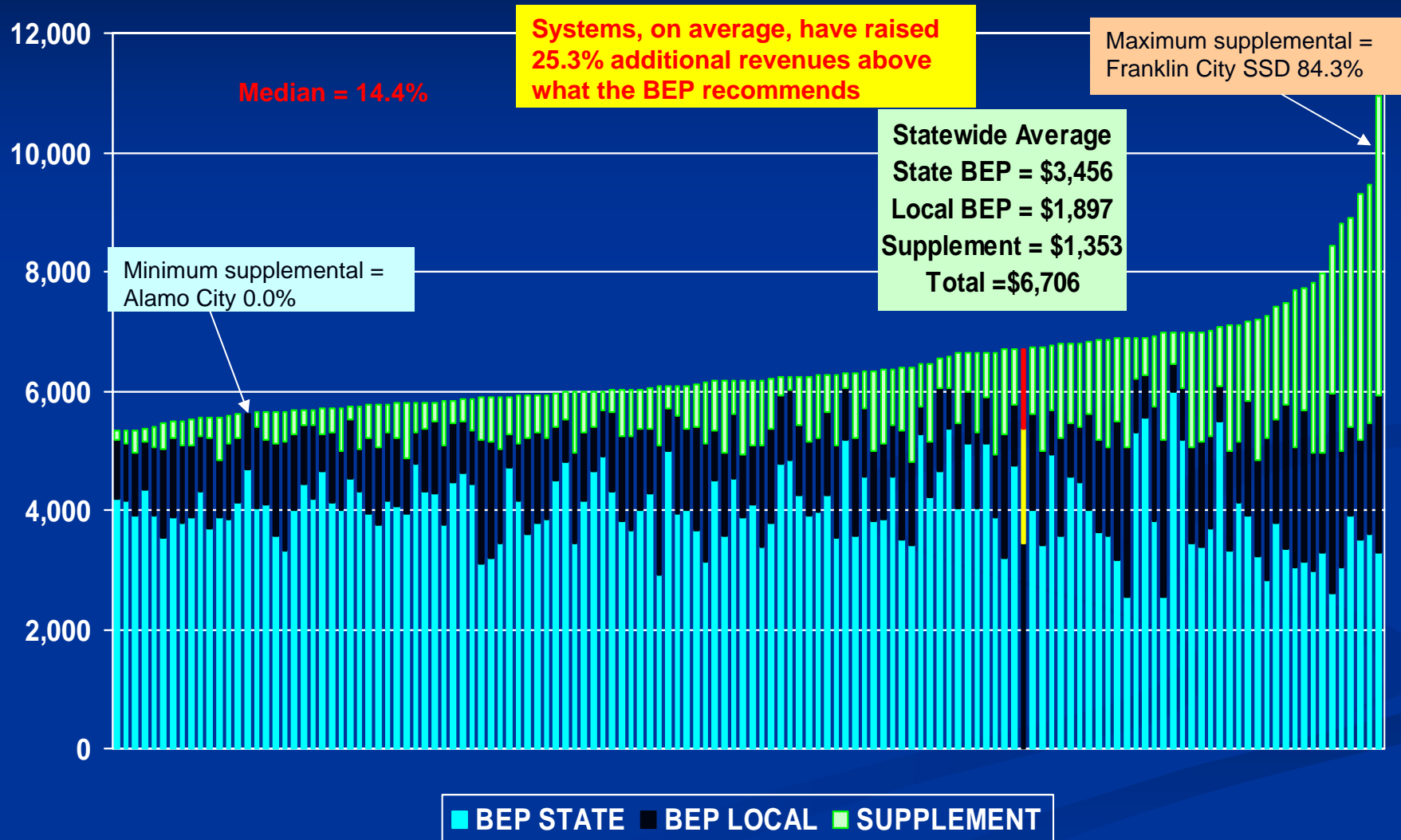
# Structural Issues

- Relies too heavily on local funding
- Complex capacity component
- CDF contributes to complexity and skepticism

# Structural Issues: Possible Improvements for Consideration

- Fund instructional salaries at 75% or higher state share
- Base fiscal capacity on statewide tax base
- Eliminate CDF (or transition to more relevant measure).
- System Level Capacity

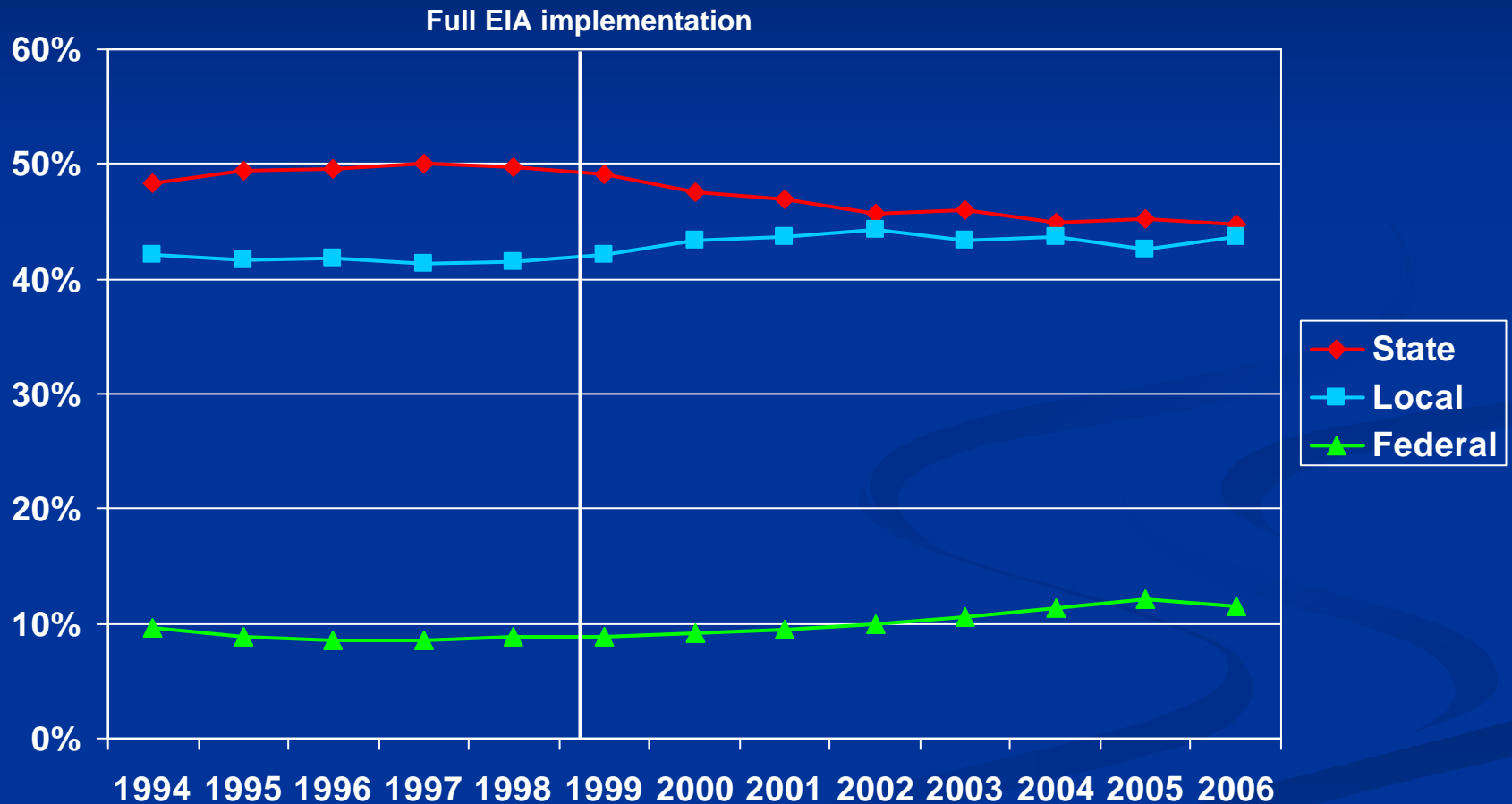
# Per Pupil (ADA) State & Local Revenues by System – Fiscal Year 2005



SOURCE: FY2005 Annual Statistical Report, Tables 19 and 7B – Department of Education  
 BEP comparison from FY05 BEP – July Final

# Percent of School Revenues by Governmental Unit

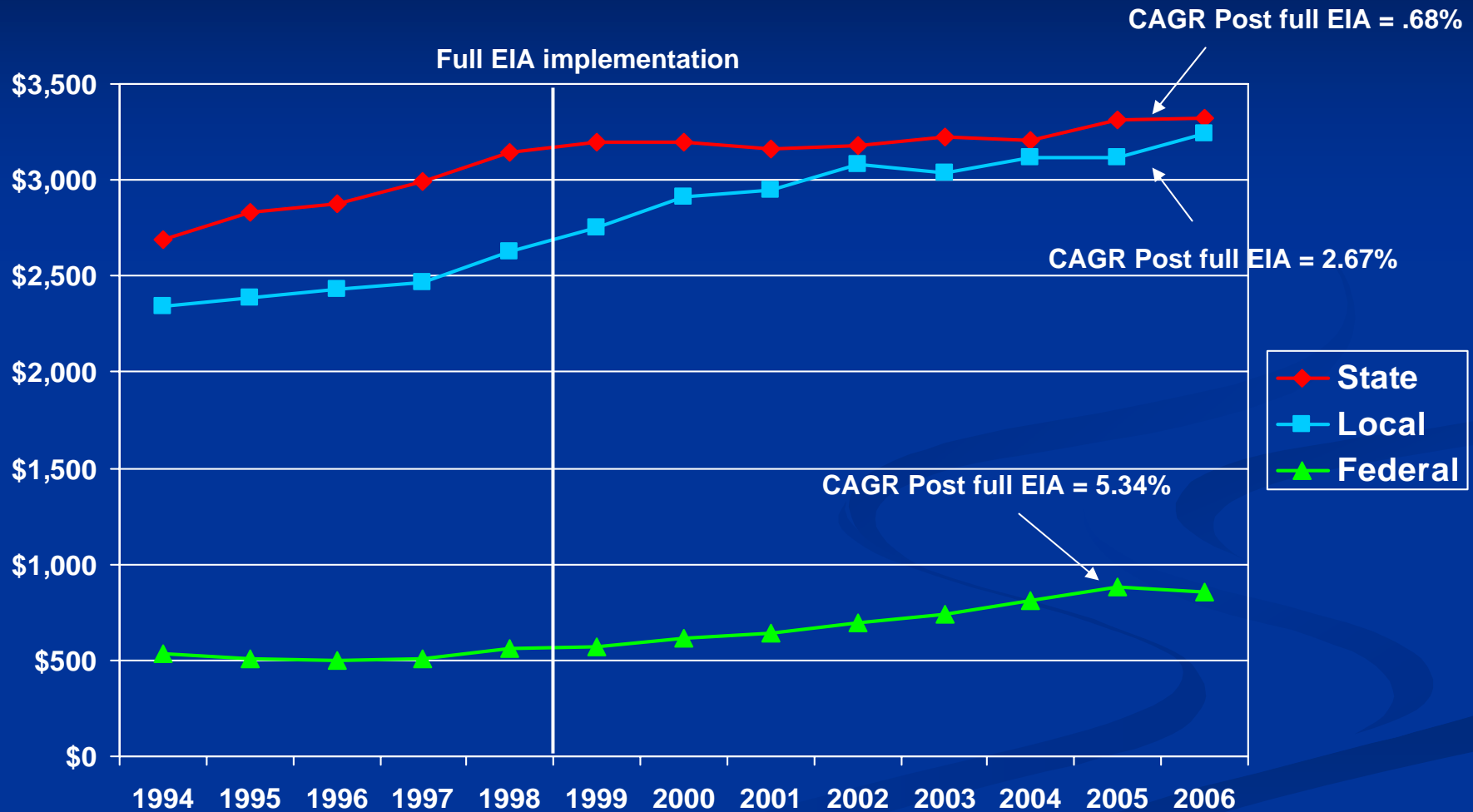
FY1994 to FY2006



SOURCE: Annual Statistical Reports, FY1994 through FY2006, Table 19, Department of Education

# Per Pupil Dollar Contribution by Governmental Unit

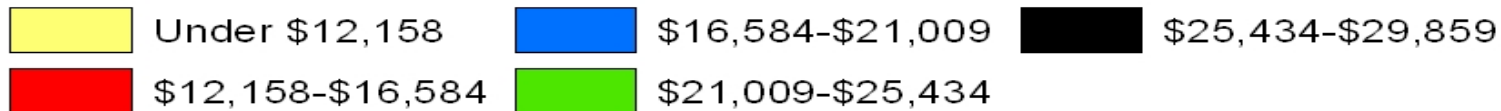
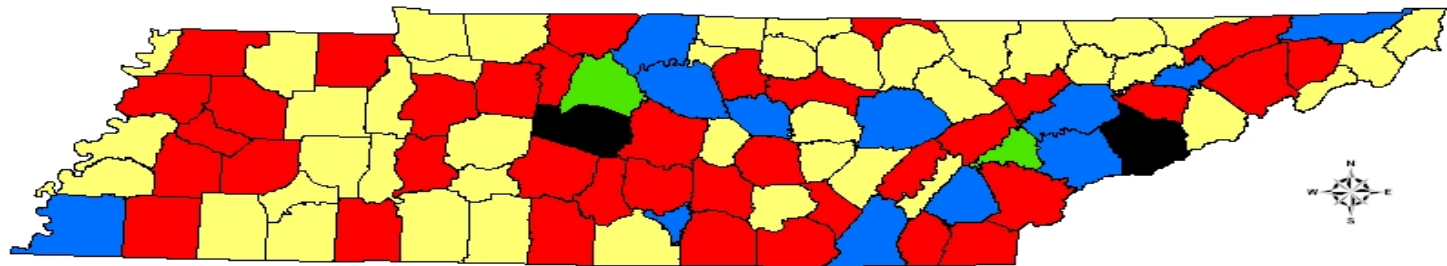
Adjusted for inflation to 2006 dollars



SOURCE: Annual Statistical Reports, FY1994 through FY2006, Table 19, Department of Education  
Table 7A, ADM Counts, Department of Education  
Inflation calculated using Bureau of Labor Statistics, Inflation Calculator

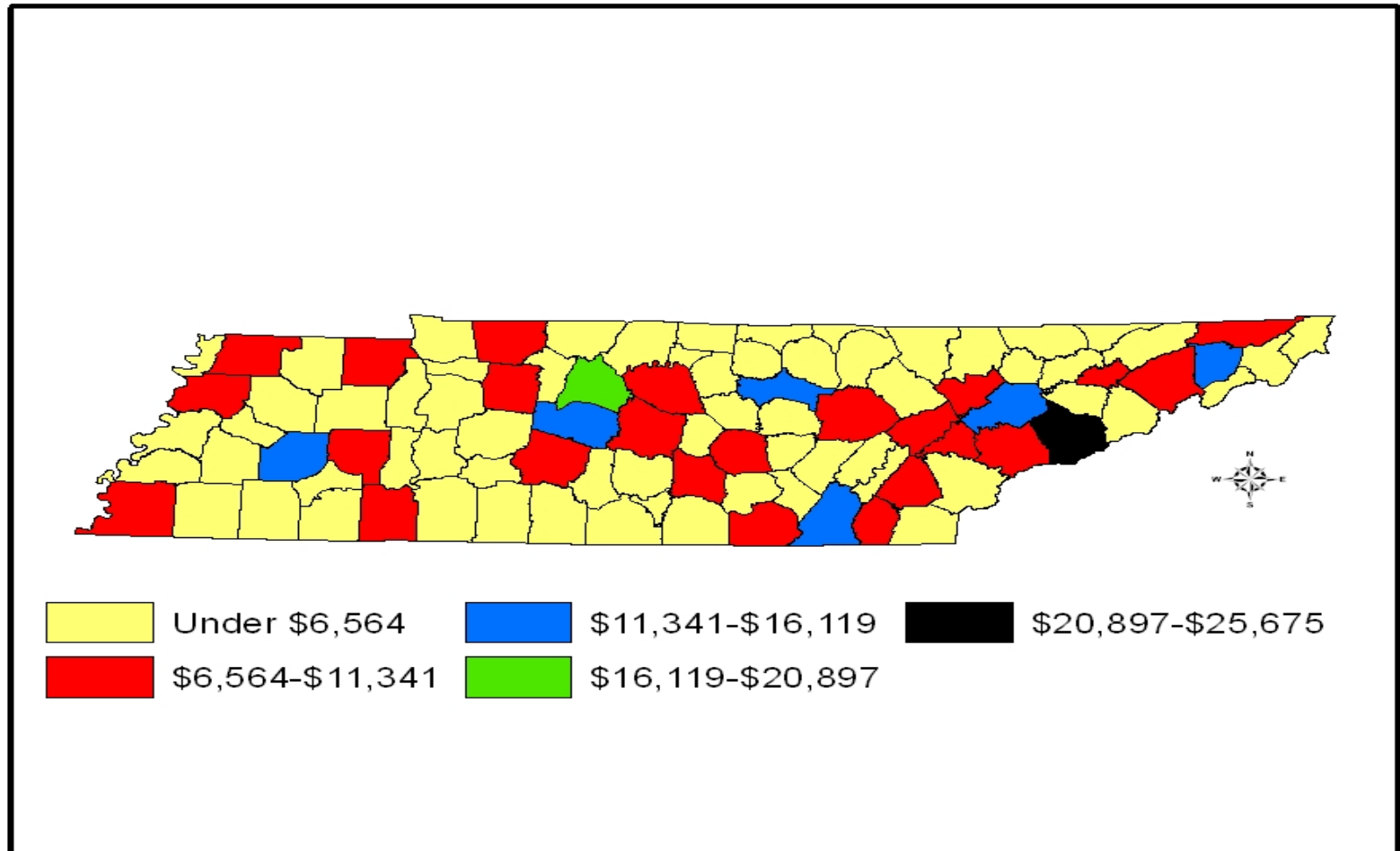


# Average Per Capita Assessed Property Values – 2001-2004



SOURCE: TACIR collected assessed property data by county, 2001-2004  
Census Bureau Population estimates 2001-2004

# Average Per Capita Sales – 2001-2004



SOURCE: TACIR collected sales data by county, 2001-2004  
Census Bureau Population estimates 2001-2004

# 100 New K-3 Students appear in Anderson County Schools

System Name	Over (Under) BEP Funding
Anderson County	\$357,000
Clinton City	\$10,000
Oak Ridge City	\$44,000
Chester County	(\$1,000)
Metro Davidson	(\$19,000)
McNairy County	(\$1,000)
Shelby County	(\$8,000)
Memphis City	(\$21,000)
Williamson County	(\$6,000)
Franklin SSD	(\$1,000)

# Cumberland County's New Mall

(increase Cumberland's sales per pupil by 2.5%)

System Name	Over (Under) BEP Funding
Cumberland County	(\$108,000)
Bedford County	(\$3,000)
Blount County	\$5,000
Maryville City	\$3,000
Metro Davidson	\$86,000
Franklin County	\$5,000
Shelby County	(\$50,000)
Memphis City	(\$127,000)
Rutherford County	(\$2,000)
Murfreesboro City	(\$1,000)
Sevier County	\$62,000

# What is the CDF and how does it work?

- CDF = Cost Differential Factor
  - Based upon compensation differences from county to county in comparable job classifications.
- Created to measure differences in the cost of recruiting and retaining teachers in higher cost areas.
- Counties exceeding 95% of the state average income in comparable job classes receive a salary inflation factor for positions in the BEP.

# CDF Recipients

- FY98 (full funding of BEP)
  - Anderson County, Clinton City, Oak Ridge, Davidson County, Hamilton County, Chattanooga City, Humphreys County, Knox County, Maury County, Moore County, Roane County, Harriman City, Rutherford County, Murfreesboro City, Shelby County, Memphis City, Sullivan County, Bristol, Kingsport, Williamson County, Franklin SSD
  - Total Value = \$119 million
- FY07 (most recent BEP)
  - Anderson County, Clinton City, Oak Ridge, Blount County, Alcoa, Maryville, Davidson County, Knox County, Maury County, Shelby County, Memphis, Sullivan County, Bristol, Kingsport, Van Buren County, Williamson County, Franklin SSD, Wilson County, Lebanon SSD
  - Total Value = \$168 million

# Why was the CDF invented?

- In part, to address problems on the revenue side of the BEP by adjusting the needs side in order to achieve a political consensus that allowed us to move forward
- And, in part, to recognize cost differences from place to place

# Alternatives to the CDF

On the adequacy side:

- Develop a composite, Tennessee specific consumer price index based upon selected market basket of goods that schools purchase (an element of adequacy).

On the funding side:

- Municipal overburden index
- Economy/diseconomy of scale?



# System Level Capacity

- Problem: City school districts have insurmountable advantages over county systems
  - Manifested by additional revenues available for schools
  - Ability to tax the commercial and industrial base again
  - Counties can never catch up
- Solution: Who knows?

# Bottom Line:

- The focus on education, combined with a reasonably strong economy and good tax performance puts us in a unique position to move forward
- How we move forward matters, i.e. addressing the whole is likely to be more successful than fixing “one thing at a time”
- By addressing adequacy and assuming more funding responsibility, the state is relieving local taxing authorities of the need to rely on disparate tax bases
- Addressing adequacy issues and equity issues is more likely to keep us in control going forward (rather than the courts)

## Part II: Measuring College Readiness

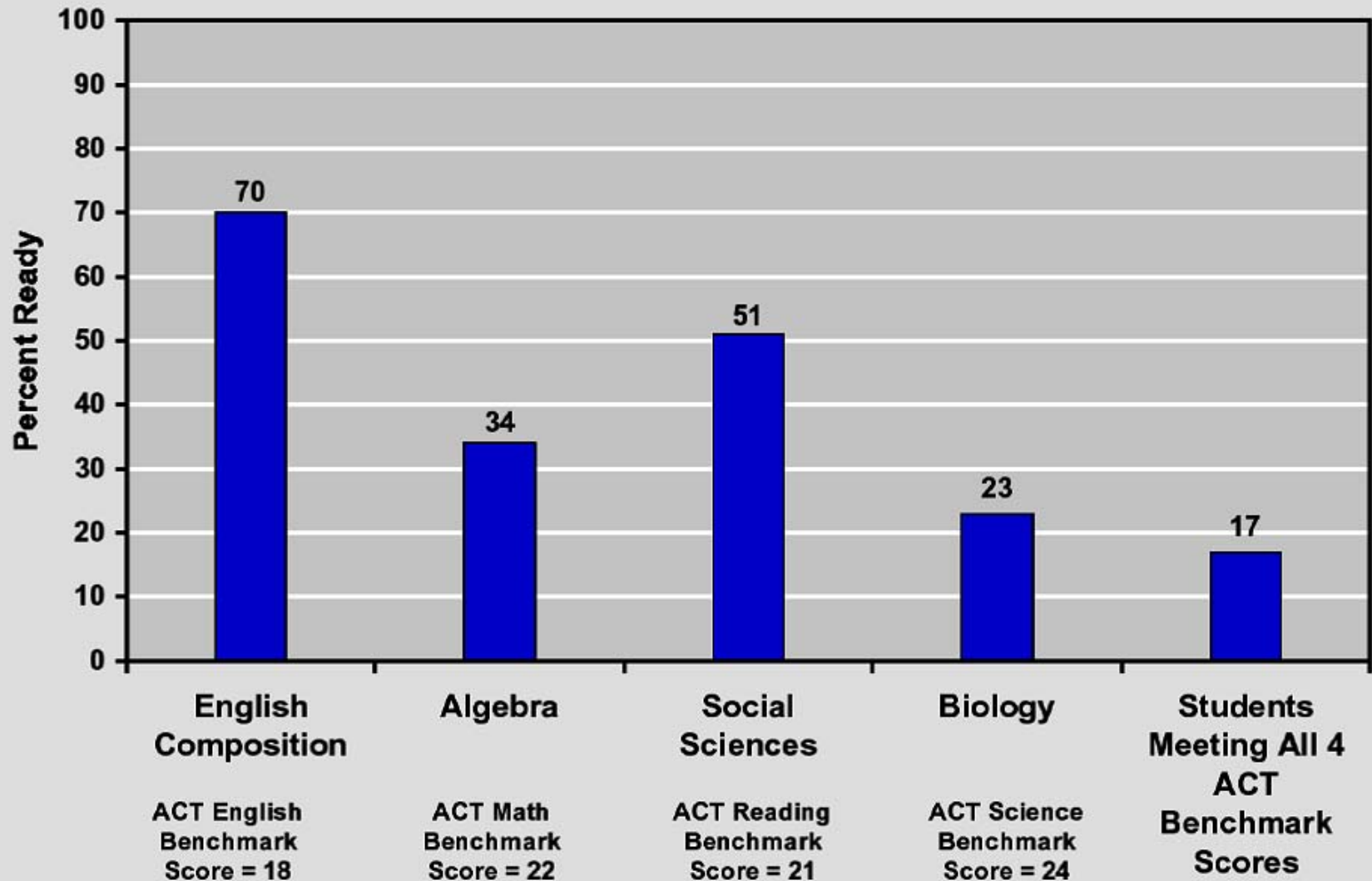
### ■ ACT College Readiness Benchmark Scores

■ Through collaborative research with postsecondary institutions nationwide, ACT has established the following College Readiness Benchmark Scores:

ACT Subject Area Test	College Course(s)	College Readiness Benchmark Score
English	English Composition	18
Math	Algebra	22
Reading	Social Sciences	21
Science	Biology	24

■ A benchmark score is the minimum score needed on an ACT subject area test to indicate a 50% chance of obtaining a B or higher or about a 75% chance of obtaining a C or higher in the corresponding credit-bearing college courses.

## 2006 Tennessee ACT-Tested Graduates Likely to Be Ready for College-Level Work (in percent)



# The Student Pipeline - Tennessee, 2004

